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The Influence's Analysis of Deferred Tax Expense, Current Tax and Discretionary Accrual towards Earnings Management (Survey in Manufactured Company Registered at Indonesia Stock Exchange in the Period of 2014 – 2018

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Abstract

The study aims to provide an overview of the influence of deferred tax expense, current tax and discretionary accruals to earnings management towards Earnings Management where it was caused by the temporary differences between accounting income and taxable profit. In this PSAK, there is a statement paragraph that can provide freedom of management in determining an earning in deferred tax of the difference between accounting standard and tax regulations in the amount of deferred tax payable related to accounting income in a current period or a current fiscal year. The amount of current tax is same with tax expense in SPT. The type of a method of this study is quantitative. Based on the hipotesis testing, it can be concluded that deferred tax expense and discretionary accruals have a significant positive influence toward earnings management while current tax has no significant positive towards Earnings Management in Manufactured Company registered at Indonesia Stock Exchange in the period of 2014 – 2018. The limitation of this study is that it only discusses how much influence the deferred tax expense, current tax and discretionary accruals have on earnings management, as well as the number of samples and populations that are less than 100 samples, thus opening up opportunities for new researchers by adopting the same theme. The

implications of this study are expected to be able to add to the state of knowledge relating to the effect of deferred tax expense, current tax and discretionary accruals on earnings management.

Keywords

Discretionary Accruals Deferred Tax Expense, Current Tax, Earnings Management.

Introduction

Earning management phenomenon has been widely used as an object in various studies. By revealing the existence of earning management associated with certain factors. Several theories discussing profit management such as Watt and Zimmerman (1986; 1990) Philips, Pincus and Rego (2003), Yin and Ceng (2004), Scoot; Sumomba et al (2012) more focus on motivation in taxation term.

In holding the operations, a company periodically prepares financial statements for interested parties such as shareholders, investors and governments. The financial statement serves as one of the information used to assess the company's performance. However, registered companies on the Indonesia stock Exchange are very much where each company has published its financial report so that the prospective investors can see the performance of each company. One of them is held by looking at the company's profit fluctuations. Profit Fluctuation is a form of profit manipulation so that a period of profit is not too different with the amount of previous profit period.

Therefore, one of the efforts to reduce profit fluctuations, in this case the management has a tendency to make an action that can make financial statements better. The information contained in the financial statements is one of the factors affecting the decisions taken by the company. According to the company's wishes, a management action aimed to manage the company's profit is called *earning management*.

Earning management is an interesting phenomenon that has added discourse in the development of accounting theory. The cases occurred at Enron Corp., WorldCom Inc., Global Crossing Ltd, Kimia Farma, Xerox Corporation and Indofarma are some evidences of ability and willingness in manipulating financial statements, especially the financial statements related to corporate earnings.

The profit management case was once done by the Jiwasraya company where the Financial Audit Board (BPK) finally described in detail the chronology of cases that

defends Jiwasraya until it ended with unable its company to pay insurance policy (defaulted) JS Savings Plan. The Chairman of BPK RI Agung Firman Sampurna said, the main factor of Jiwasraya failure is an investments managing mistake in the company. Jiwasraya often puts funds in poorly performing stocks. "These risky stocks resulted in *negative spreads* and caused liquidity pressures on PT Asuransi Jiwasraya which resulted in failed pay," said Agung in BPK RI, Jakarta, Wednesday (8/1/2020). The case of Jiwasraya is touted from 2002. At that time, state owned insurance was reportedly already getting some difficulties. However, based on the CPC record, Jiwasraya has booked a false income since 2006. Instead of improving the company's performance with the consideration of quality stocks, Jiwasraya actually rolled up the sponsorship funds for the world Football Club, Manchester City, in 2014. In 2015, Jiwasraya launched the JS Saving Plan product with a very high *cost of fund* that exceeds of deposits and bonds inters. Unfortunately, the funds are then invested in low-quality stock and fund instruments. In 2017, Jiwasraya gained unnatural opinion in his financial statements. In fact, Jiwasraya is able to record profit of Rp 360.3 billion. The unnatural opinion was obtained due to a lack of allowance of Rp 7.7 trillion. "If the backup had done in accordance conditions, the company should suffer losses (at that time). In 2018, Jiwasraya finally posted a **13** **unaudited loss of Rp 15.3 trillion. In September 2019, Jiwa Sraya's loss declined to Rp. 13.7 trillion. Then in November 2019, Jiwasraya suffered a negative equity of Rp 27.2 trillion.** Were it seen from these cases, the term profit management was interpreted as a negative effort detrimental because it was oriented to profit manipulation. These cases are evidence of fraud made through profit management by manipulating bookkeeping, tax evasion, securities fraud and insider trading. Bookkeeping manipulation is a key trigger of some cases. Nevertheless, it does not mean that profit management efforts should be associated with attempts to manipulate data or accounting information. It is caused by the selection of accounting methods which can be done for managing the profit allowed during the standard financial accounting corridor applied. Despite irregularities resulted in a financial scandal, it show that there is a company's governance failure and a weak arrangements and the government oversight.

Scott (2012) says that one of company's motivation in doing an earning management is a Motivational tax. The motivational tax can be a way to manage earning management. This is because a company is not only obliged to create commercial financial statements but also required to create fiscal financial statements. Both financial statements have a difference in determining the amount of profit reported. Purba (2005) states that it arises as a result of the difference between the provisions of the tax regulation and the general accounting principles in recognizing and calculating the income and costs in Indonesia.

Due to such discrepancies, the process of correction of commercial financial statements is necessary. Fiscal correction on the difference can be a permanent (*permanent differences*) or just temporary (*temporary*) or it can be called as *time differences*. This is in accordance with the theory of Watt and Zimmerman (1986-1990) which states the reasons for saving or tax delay (*deferred tax*) through the company's tendency to reduce the reported profit, where one of three hypotheses with respect to the positive accounting theory, named *political cost hypothesis*. Therefore, deferred tax loads can affect earning management as a motivation for tax savings.

Deferred tax were divided into deferred tax assets and deferred tax loads. Santi and Yulianti (2009) mentioned deferred tax load was inflicted by a temporary difference between an accounting income and a fiscal profit. Whereas according to PSAK No. 46, deferred tax is the amount of income tax for the future period as a result of temporary differences that can be reduced by the remaining losses. In this PSAK, there is a statement paragraph that can provide freedom of management in determining an earning of deferred tax of the difference between accounting standard and tax regulations.

The above is evidenced by the research conducted by Philips, Pincus and Rego (2003) which shows that deferred tax and accrual loans can significantly detect earning management done with the aim of avoiding losses and loss of profit. Meanwhile, Yulianti (2009) who researched the companies listed on the Indonesia Stock exchange showed that deferred tax and accrual taxes could significantly detect the earning management that companies do with the goal of avoiding losses. Earnings consists of both cash and accruals components, either it is under the management (*discretionary*) or non-management (*non-discretionary*) policies. Some empirical research has been conducted in searching of a relationship between discretionary accruals and earning management. Dechow, Sloan, and Sweeney (1995) suggested there were at least five models to detect earning management through the calculation of discretionary accruals, there were (1) Healy models, (2) The DeAngelo Model, (3) The Jones Model, (4) The Modified Jones Model, and (5) The Industry Model. Based on The research of Dechow, Sloan and Sweeney (1995) known that The Modified Jones Model demonstrated better ability to detect earning management, so that this Model is often used as a earning management proxy in various research related to earning management.

1) Positive Accounting Theory

Positive accounting theory is a theory that attempts to make a good prediction of events in the real world. The positive accounting theory relates to predicting actions, such as the selection of accounting policies by managers (agents) in a company and how the manager responds to the new accounting standards had been promoted (Scott, 2012). Based on the positive accounting theory, it will bring out a positive flow of some experts.

The positive flow is based on the assumption of political power is something fixed and social system in the organization is a concrete empirical phenomenon and there is no relation from something value or not depends on manager and staff who work in the company (Machitos dalam Chairil dan Gozali, 2007). On this basis, the positive flow considers themselves as a neutral observer, positive to observe.

The *positive accounting theory* explains something related to the observed phenomenon based on the reasons that caused an event occurred. So, the *positive accounting theory* aims to explain and predict the consequences occurred if the manager determines the specific accounting policy options. The basis of explanation and prediction is based on contract process or agency relationship between manager and other groups, such as investor, creditor, auditor, capital market manager and government Institution (Watts & Zimmerman, 1990). The positive accounting theory bases on the premise that individuals always act based on personal motivation and try to maximize personal interests. In addition, the positive accounting theory can be attributed to the phenomenon of a manager's opportunistic behavior, where Watt and Zimmerman (1990) Explain the three hypotheses that can be the background of the manager's opportunistic behavior: *Bonus Plan Hypothesis*, *Debt Covenant Hypothesis* and *Political Cost Hypothesis*.

2) Signalling Theory

The signalling theory explains why the company has an urge to provide information on a financial statements to external parties. The reason of company's encouragement to provide information are an existing of information asymmetry between a company and an outside parties, because the company more knows about the company and prospects that will come from the outside parties (investors and creditors). Lack of information from the outside party about the company caused they protect themselves by providing a low price for the company. Companies can increase company value, by reducing the asymmetric

information. One way to reduce the information asymmetry is giving a signal to the outside parties, including financial information that can be trusted and will reduce uncertainty about the company future prospects. (Wolk et al., 2000, in Sari and Zuhrohtun, 2006).

18 3) Deferred Tax Expense

Tax expense is an amount of current tax aggregate calculated in income accounting in a running period as an expense or income. Deferred tax expense is the amount of deferred tax (income) expenses arising from recognition of deferred tax obligations or assets.

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According to Phillips et al. (2003) the deferred tax expense is expense arising from temporary differences between accounting profit (profit in the financial statements for the benefit of external parties) taxable income (income that is used as the basis for calculating tax). Temporary differences can create deferred tax obligations or deferred tax assets. The increasing of deferred tax obligations must be consistent, the company recognizes as income and/or deferred load for the purpose of logging related to the tax report, so that it will show a fiscal value result. Do the deferred tax assets increase, the company recognizes as a burden and/or suspends revenues for the purpose of fiscal reporting.

The deferred tax expense will generate tax obligations and in the other side, the deferred tax revenues may generate deferred tax assets, the deferred tax obligations may occur when a time difference causes negative corrections related to the tax charges based on the accounting. This deferred tax obligation is used as the amount of Tax Liability for the upcoming period due to taxable temporary differences. The Taxable temporary difference (taxable temporary differences) is a temporary discrepancy that may result taxable amount (taxable amounts) in a calculation of the future fiscal profit when its recorded as selected asset or an obligation stated value is settled. 1
Deferred tax expense uses weighting indicator deferred tax expense by total assets or total assets. Weighting deferred tax expense by total assets at period t-1 to obtain the value that is calculated by proportional.

$$DTE_{it} = \frac{\text{Deferred Tax Expense } t}{\text{Total assets}}$$

Keterangan :

DTE_{it} : Deferred Tax Expense in year t 32

Total Asset_{t-1} : Total Asset in year t-1

4) Current Tax

According to Waluyo (2012; 272), current tax definition is the amount of income liability on taxable income in the period or in running tax year. The amount of current tax is same with tax expense in SPT. The current tax as the tax expense calculated based on taxes rate multiplied by taxable income.

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According to the nature of use, the income tax is divided into two groups:

1. Income tax with the imposition of not final taxation
2. Income tax with the imposition of final taxation

In PSAK No. 46 requires the company or taxpayers to treat the taxation consequences of a financial transaction equal to the accounting treatment of the transaction.

The financial statements commercially based on PSAK will has a different ending result, when the financial statement will be prepared based on the prevailing tax laws and regulations. To adjust the difference commercially and fiscally, it is necessary to convened a fiscal reconciliation. The reconciliation is necessary due to:

1. Difference Treatment

The differences consideration which is underlying the preparation of commercial financial statements with taxation policy generates a different amount of profit (fiscal profit vs. commercial profit). Tax habits are often characterized by social, political, and economic considerations both nationally and regionally even internationally. An example of the consideration is available on the distribution of tax expenses, fairness (vertical and horizontal), stimulation, investment relocation, development of science and technology, and an application of the tax implementation that differs from the consideration of the requestor, commercial reports compiled based on a set of accounting standards that provides tolerance to application flexibility by prioritizing the approach of presentation fairness. Some factors caused differences in commercial and fiscal financial statements are as follows:

- a. The difference between what is considered income according to the provisions of taxation and accounting practices, such as pleasure and Natura (benefit in kinds), intercompany dividend, debt exemption, and income (BUT) due to an attribution of force of attraction.
- b. Inequality approach to calculating earnings, such as a link and match between expense and income, a depreciation method, an application of calculation norm, and a tax retrieval with gross or net method.

- c. Provision of Relif or other similar, such as losses of the asset report, taxable income, planting stimulant, and accelerated depreciation.
 - d. Differences in loss treatment such as foreign losses, or assets which is not used in the business.
2. Difference Time

The causal relationship between fiscal profit and bookkeeping profit results difference number in a permanent or just temporary. Permanent differences occurred because the tax administration calculates a different fiscal return to the profit of the bookkeeping (according to accounting standards) without correction in the next days. This leads to a difference in total profit during the company's existence, which is calculated based on taxation provisions and accounting principles. A permanent difference can be positive (bookkeeping profit is bigger than fiscal profit) with the availability of an unrecognized accounting profit by the taxation provisions and tax relief. However, conversely, when bookkeeping profit is lower than fiscal profit, there will be a permanent negative difference due to expenditure as an unrecognized bookkeeping burden based on the fiscal provisions. Permanent differences will not allow the restoration of causal relationship between fiscal profit and bookkeeping profit because during the existence of the company both profits, it will not be the same amount of profit.

5) Discretionary Accrual

In accounting, it is known as the accrual basis and cash basis term. An approach mostly used is the accrual approach, the accrual accounting approach is considered better than cash-based accounting approach. It is because accrual approach is a method of calculating income and costs in the sense of income is recognized at the time obtained and the costs are recognized at the liability time. (Muljono, 2009:28).

The accrual accounting system provides opportunities for the management to manipulate profit or accounting revenues (De Angelo, 1986; in Dahlan, 2009). Accounting accruals can be divided into two namely discretionary accruals and non-discretionary accruals. The discretionary accruals concept gives the notion that management can manipulate accrual revenues and are usually used to achieve the desired income. De Angelo (1986) in Meutia (2004) added that the manager has the ability to control the accrual section in the short term. De Angelo also explained that non-discretionary components accruals determined by other factors that the manager could not control. In this research, the calculation of earning management uses a Model of Jones where discretionary accrual is in accordance with performance (performance-matched discretionary accruals). Based on Kothari et al.,

(2005), performance-matched discretionary accruals measurements are more specific and powerful than any other discretionary accruals measurement. Kothari also explained that balancing performance was designed to control the performance impact of measuring discretionary accruals and performance-matched discretionary accruals that could be used as an alternative to research profit management.

6) Earnings Management

Scott (2012) explains the earnings management in two kinds. Firstly, earnings management as an opportunistic behavior management to maximize its utility to solve a compensation contracts, debt contracts and political costs (opportunistic earnings management). Secondly, viewing earnings management from an efficient contracting (Efficient Earning Management), where earnings management gives management a flexibility to protect themselves and companies in anticipation of unexpected events for the sake of the parties involved in a contract. Thus, management can influence the value of the company's stock market through earning management, for example by making (income smoothing) and developing earning all times.

Earnings management can be defined as unneutral financial reporting which the manager intensively performs activities to generate some personal benefits. The manager can do the activities by modifying how the manager interprets the various standards of financial accounting and accounting data (Healy and Wahlen, 1999).

Research Methodology

In this research, the researcher used quantitative where the process of collecting information showed in numbers as a tool to find out the details information about something knew. Quantitative research more emphasized on objectives phenomenon, and objectives maximization. The design of this research was done by using processing statistic numbers, structure and controlled experiments (Moleong, 2011:2). The quantitative research included each type of research based on percentage calculation, means, and other calculations. In the other words, this research used number calculation or quantity (Moleong, 2011:1).

According to Sugiyono (2013) research the data on quantitative approaches were numbers and analyses using statistics. Quantitative research used was a causal quantitative because it was aimed to test hypotheses about influence. According to the type of investigation, this study was a kind of causal research because the goal of study wanted to find the cause

or relationship cause-effect from one or more problems as stated in the problem formulation (Sekaran & Bougie, 2010:165).

³
Based on the time, the kind of this research was a *cross sectional*. It means that the research conducted at a certain time period and collected related data in order to find the answers of research questions (Sekaran & Bougie, 2010:178).

¹⁷ 1) Population and Sample

The population used in this research was all manufacturing companies listed on the Indonesia Stock Exchange (IDX) in 2014-2018. The sample used was the Purposive sampling method, which was the sampling technique by dividing the population into homogeneous groups called strata and the samples were not taken randomly from each of these strata, but adjusted to the established criteria (Sugiyono, 2016). The purpose of this method was to make the sample selected based on the purpose of the research problem, thus it could reduce the errors in the process of data-raising. Due to consideration of data completeness and data availability to be collected, the samples will be used when passed the followings criteria:

1. Manufacturing Company registered on IDX period 1 January 2014 until 31 December 2018.
2. The company did not do a merger and acquisition from 2014 to 2018.
3. The company was not delisting or exiting from IDX during the period from 1 January 2014 to 31 December 2018.
4. Financial statements presented in foreign currency will be presented in the exchange rate.
5. Financial statements had complete data needed.

2) Technique and Collecting Data Method

According to Arikunto, (2006:175) Data collecting techniques are the way that researchers use to obtain the data needed. In a study, it is needed a measuring instrument called a research instrument. Thus, the understanding of the instrument according to Sugiyono (2017) is a tool used to measure the natural and social phenomena observed. The data collecting techniques used in this study are documentation, using secondary data obtained from:

1. Indonesian Capital Market Directory
2. Website www.idx.co.id

The study was analyzed using four test types, namely: (1) Descriptive statistics, (2) Classic Assumption Test, (3) Regression test and (4) hypothesis test. This study used the SPSS 24 for Windows program for data processing.

Result and Discussion the Influence of Deferred Tax Expense, Current Tax and Discretionary Accrual towards Earnings Management

Descriptive statistics were used to view the distribution of data used as samples. Descriptive statistics described the distribution of data consisting of the minimum value, maximum value, average value, and the standard deviation value of the data used in this study. The measurement of profit management in this study was the level of earnings that management often used to perform profit management. The analysis of descriptive statistics as in Table 4.1 shows that the minimum and maximum values of each variable. The minimum value was the lowest value for each variable. The maximum value was the highest value for each variable in this study. The mean value represented the average value of each variable being researched. Standard deviation was a spread of data used in research that reflected the data was homogeneous or heterogeneous which was volatile.

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Table 4.1 Descriptive Statistics

Descriptive Statistics						
	N	Range	Minimum	Maximum	Mean	Std. Deviation
Deferred Tax Expense (X1)	60	,2024	-,1908	,0116	-,004419	,0247823
Current Tax Expense (X2)	60	,6459	-,0709	,5751	,019373	,0786528
Discretionary Accrual (X3)	60	5,7007	-3,5520	2,1488	-,942120	1,1594730
Earnings Management (Y)	60	1,6500	,0700	1,7200	,919000	,4391737
Valid N (listwise)	60					

Source: Output SPSS 24

Based on the table 4.1, it can be conclude that earning management table had the lowest value 0.0700 and the highest value 1.7200 with mean 0.919000 and the deviation standard 0.43917737. The deferred tax expense variable (X1) had the lowest value (-0.1908) and the highest value 0.0116 with mean (-0.004419) and the deviation standard variable 0.0247823. The current tax expense variable had the lowest value (-0.0709) and the highest value 0.5751 with mean 0.019373 and the deviation standard 0.0786528. The discretionary accrual variable had the lowest value (-3.5520) and the highest value 2.1488 with mean (-0.942120) and the deviation standard 1.1594730.

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The full results of multicollinearity testing can be seen in the 4.2 table below:

Table 4.2 Multicollinearity Test

		Coefficients^a						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	,808	,074		10,883	,000		
	Deferred Tax Expense (X1)	5,231	6,401	,295	2,817	,017	,815	8,708
	Current Tax (X2)	,904	2,000	,162	1,452	,043	,717	8,561
	Discretionary Accrual (X3)	,124	,049	,327	2,524	,014	,895	1,117

a. Dependent Variable: Earnings Management (Y)

Source: Output SPSS 24

From the result of testing with SPSS showed in table 4.2, it was known that tolerance value in Deferred Tax Expense (X1) variable was 0.815, current tax (X2) variable was 0.0717, and *discretionary accrual* variable was 0.895 bigger than 0.10 the value of *variance inflation factor* (VIF) Deferred Tax Expense (X1) variable was 8.708. current tax (X2) variable was 8.561, and *discretionary accrual* variable was 1.117 smaller than 10. So, it can be concluded that there did not happened multicollinearity in a regression model. This test was aimed to determine whether there is a correlation between members of a series of observational data sorted by time or space. The autocorrelation was decided based on the following criteria:

1. If a number of DW was smaller than -2 it meant that there was found a positive autocorrelation.
2. If a number of DW was between and +2 it meant that there was not found an autocorrelation.
3. If a number of DW was bigger than -2 it meant that there was a negative autocorrelation.

The autocorrelation test results can be seen in the following table 4.3:

Table 4.3 Autocorrelation Test

Model Summary^b					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	,401 ^a	,161	,116	,4129131	,962

a. Predictors: (Constant), Discretionary Accrual (X3), Current Tax (X2), Deferred Tax Expense (X1)

b. Dependent Variable: Earnings Management (Y)

Source: Outputs SPSS 24

Based on the test that had been done, the Durbin-Watson test had been obtained for 0962. Then the value was compared to the predefined test criteria.

Based on the test criteria⁴³ and Durbin-Watson test scores were known to be 0962 located between -2 and + 2 so it can be concluded that the regression model in the study had no autocorrelation.

The linearity test was used to see the correctness of the model specifications used. This test aimed to produce F-count. The result of F-count, compared with the F table. If the F counts > the F table, then the zero hypothesis stated that the model specifications in the form of linear functions were rejected. The full results of the linearity test of each variable were as follows:

Table 4.4 Linearity Test Variable X₁ to Y⁵

ANOVA Table			Sum of Squares	df	Mean Square	F	Sig.
Earnings Management (Y) * Deferred Tax Expense (X1)	Between Groups	(Combined)	10,443	53	,197	1,262	,420
		Linearity	,704	1	,704	4,511	,078
		Deviation from Linearity	9,739	52	,187	1,200	,450
	Within Groups		,937	6	,156		
	Total		11,380	59			

Source: Output SPSS 24

According to table 4.4 It was known that the value of F count was 1,200. While the T value of the table was 3.16 which meant that the F count was a < F table (1,200 < 3.16) and a value of sig. Deviation from linearity of 0450 or greater than the significance of 0.05, so that it can be concluded that there was a linear link between the deferred tax expense variable (X1) with profit management (Y).

Table 4.5 Linearity Test Variable X₂ to Y⁵

ANOVA Table			Sum of Squares	df	Mean Square	F	Sig.
Earnings Management (Y) * Current Tax (X2)	Between Groups	(Combined)	10,097	52	,194	1,059	,519
		Linearity	,517	1	,517	2,822	,137
		Deviation from Linearity	9,580	51	,188	1,025	,541
	Within Groups		1,283	7	,183		
	Total		11,380	59			

Source: Output SPSS 24

According to table 4.5 it was known that the value of F count was 1,025. While the T value of the table was 3.16 which meant that the F count was a $< F$ table ($1,025 < 3.16$) and a value of sig. Deviation from linearity of 0541 or greater than the significance of 0.05, so it can be concluded that there was a linear relationship between the current tax variable (X2) with profit management (Y).

Table 4.6 Linearity Test Variable X₃ to Y

ANOVA Table			Sum of Squares	df	Mean Square	F	Sig.
Earnings Management (Y) * Discretionary Accrual (X ₃)	Between Groups	(Combined)	10,572	53	,199	1,481	,330
		Linearity	1,589	1	1,589	11,803	,014
		Deviation from Linearity	8,982	52	,173	1,283	,410
	Within Groups		,808	6	,135		
	Total		11,380	59			

Source: Output SPSS 24

Based on table 4.6, it was known that F Count value was 1.283, while the value of t table was 3.16 meant that f count $< f$ table ($1.025 < 3.16$) and the value of sig. deviation from linearity was 0.410 or bigger than significance 0.05, thus it can be concluded that there was linear correlation between the discretionary accrual (X₃) variable and earnings management (Y).

From the value of F count and the significance value mentioned above, it can be concluded that all variables; Deferred tax load variables, current tax loads, and discretionary accrual, there were linear relationships with profit management.

In this research, the dependent variable was the earnings management (Y), while the independent variables were deferred tax loads (X₁), current tax loads (X₂) and discretionary accrual (X₃). So that, the regression equations formed were as follows:

$$Y = a + b_1X_1 + b_2X_2 + b_3X_3 + e$$

Keterangan :

- Y = earnings management
- a = intersep (Constanta)
- b₁ = coefficient regression variable independent 1
- b₂ = coefficient regression variable independent 2
- b₃ = coefficient regression variable independent 3
- X₁ = deferred tax loads
- X₂ = current tax

X_3 = discretionary accrual
 e = error term

Table 4.7 Double Regression Linear Analysis

		Coefficients ^a						
Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	,808	,074		10,883	,000		
	Deferred Tax Expense (X1)	5,231	6,401	,295	2,817	,017	,815	8,708
	Current tax (X2)	,904	2,000	,162	1,452	,043	,717	8,561
	Discretionary Accrual (X3)	,124	,049	,327	2,524	,014	,895	1,117

a. Dependent Variable: Earnings Management (Y)

Source: Output SPSS 24

Based on the table above it can be obtained the double linear regression equations as follows:

$$\text{Earnings Management (Y)} = 0.808 + 5.231X_1 + 0.904X_2 + 0.124 X_3$$

From the equation of the double linear regression above, it can be obtained the value of 0808. That was, if the profit management variable were not affected by the deferred tax expense variable, the current tax and discretionary accrual or the free variable was zero (0) then the average profit management amount was 0808.

The value of a regression coefficient in free variables illustrated that if the free variable were equal to a value of one unit and another constant-free variable or the value was zero, so the value of its variable would rise according to the regression coefficient.

The regression coefficient for X1 variable (deferred tax expense) was positive, it was indicating a direct relation between the deferred tax expense (X1) and the Earnings Management (Y). The coefficient of variable regression X1 was 5,231 contained a meaning that each increasing in the deferred tax expense (X1) in one point would influence an increasing the earnings management (Y) of 5,231.

The regression coefficient for X2 variable (current tax) was positive, it was indicated that had a direct relation between the current tax (X2) and the Earnings Management (Y). The variable regression coefficient X2 of 0904 contained a meaning that each current tax (X2) in one point would influence an increase in the earning management (Y) of 0.904.

The regression coefficient for a variable X3 (discretionary accrual) has a positive value, It indicated that a direct relation between discretionary accrual (X3) and Earnings Management (Y). The regression coefficient of variable X3 had 0.124 it meant that each discretionary accrual (X3) in one point would influence an increasing the earnings management (Y) of 0.124.

Based on the statistical test results and the significance, it could be conclude that the deferred tax load variables had a positive and significant impact on earnings management. The result of this research was equal with the research of Philips et.al (2003) it showed that the deferred tax load influenced significantly the earnings management. Almost the same result was also obtained from the Research of Yulianti (2005) stating that the variables of deferred tax load influenced the earnings management. These results were consistent with the research results conducted by Irreza et al (2012), Holland & Jackson (2002) and Yana Ulfah (2013) indicating that the deferred tax load influenced the earnings management.

The research was unequal with the research result of Aulia Rahmi (2013) stating that deferred tax load was unable to detect the earnings management. The same results were also obtained from researches by Ni Made Ayu Widiarini and I Made Sukarta (2015) stating that deferred tax assets had no effect in detecting income maximization. The similar results were also obtained from the research of Sibarani and Surtikanti (2015).

Based on the statistical test results and the significance, it showed that the current tax load had no significant effect on earnings management.

The equal research results was also obtained from the Aulia Rahmi (2013) research which resulted the current tax load was incapable to detect the earnings management.

The research was unequal with the research result of Ni Made Ayu Widiarini and I Made Sukarta (2015) stating that the current tax load affected the in the earnings management detection.

Based on statistical test results and the significance, it showed that the discretionary accrual variables were positively and significantly impacted on the earnings management.

The results of this study was equal with the research of Irreza and Yulianti (2012), the result of their research showed that discretionary accrual affected on the earnings management. The same results were obtained from the research of Taufik Budiman

(2012) and Sibarani & Surtikanti (2015) showed that discretionary accrual significant effected on the earnings management.

The contrast result was obtained from the research of Utari & Widiastuti (2012) it showed that discretionary accrual had no effect on the profit management.

Conclusion

Based on the formulation of problems, hypothesis testing and delivered discussions previously, it can be concluded that: the deferred tax expense, current tax and discretionary accrual had a significant positive influence towards the earnings management while the current tax had no positive and significant effect towards earnings management in manufacturing companies registered at the Indonesia Stock Exchange in the years of 2014-2018. This research was expected to have an impact on three parts: there were contributions of theory, contribution of practice, and contributions of policy. This research was expected to contribute scientifically to financial management especially in earnings managements influenced by the deferred tax expense, the discretionary accrual and the current tax. The result of this research was expected to be a reference in the development of science and other researchers. The result of this research was expected to be a reference for company owners, investors and policy makers that could be utilized in management of company. The research actually had been done optimally by researcher but the researcher realized that there are still many This research has been done optimally by researchers but researchers realize that there are still many limitations here for the examples were the variables affecting profit management consisted only of *deferred tax expense*, *discretionary accrual* and *current tax* variables. The target sample was also less than 100 companies and the observation time period was also only 5 years. For further study, it was expected to researchers to include more variables and make larger quantities of samples and long-term observations. Sometimes, the limitations of the research using secondary data were financial statements published to the public did not indicate the real state. This research could not represent all of the companies listed on the Indonesia Stock Exchange. Based on the results of the discussion and conclusion above, the researcher provided the following suggestions: Investors were expected to anticipate earnings management conducted by the company in hopes that investors want to invest in the company. Management should be honest and careful in managing the company because the investors expect the benefit from the implanted investment.

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